



Default Prevention: You Are The Key!

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FSA
FEDERAL
STUDENT AID

We Help Put America Through School



Getting Back to Getting Personal

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Networking Info

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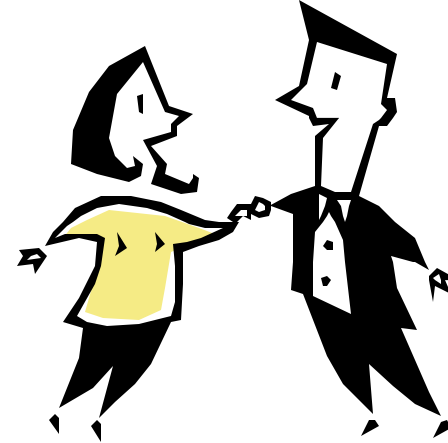
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What's up with your CDR and what can you do about it?

- Evaluation of your CDR
- Proprietary vs. Public Ideas and Tactics
- Know Your Pool





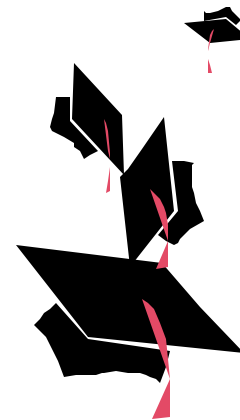
Building Rapport

- **Listen to Your Students!**
- **Communicate With Your Partners**
Lenders, Servicers, Guarantee Agencies
- **Suggestions for Success**



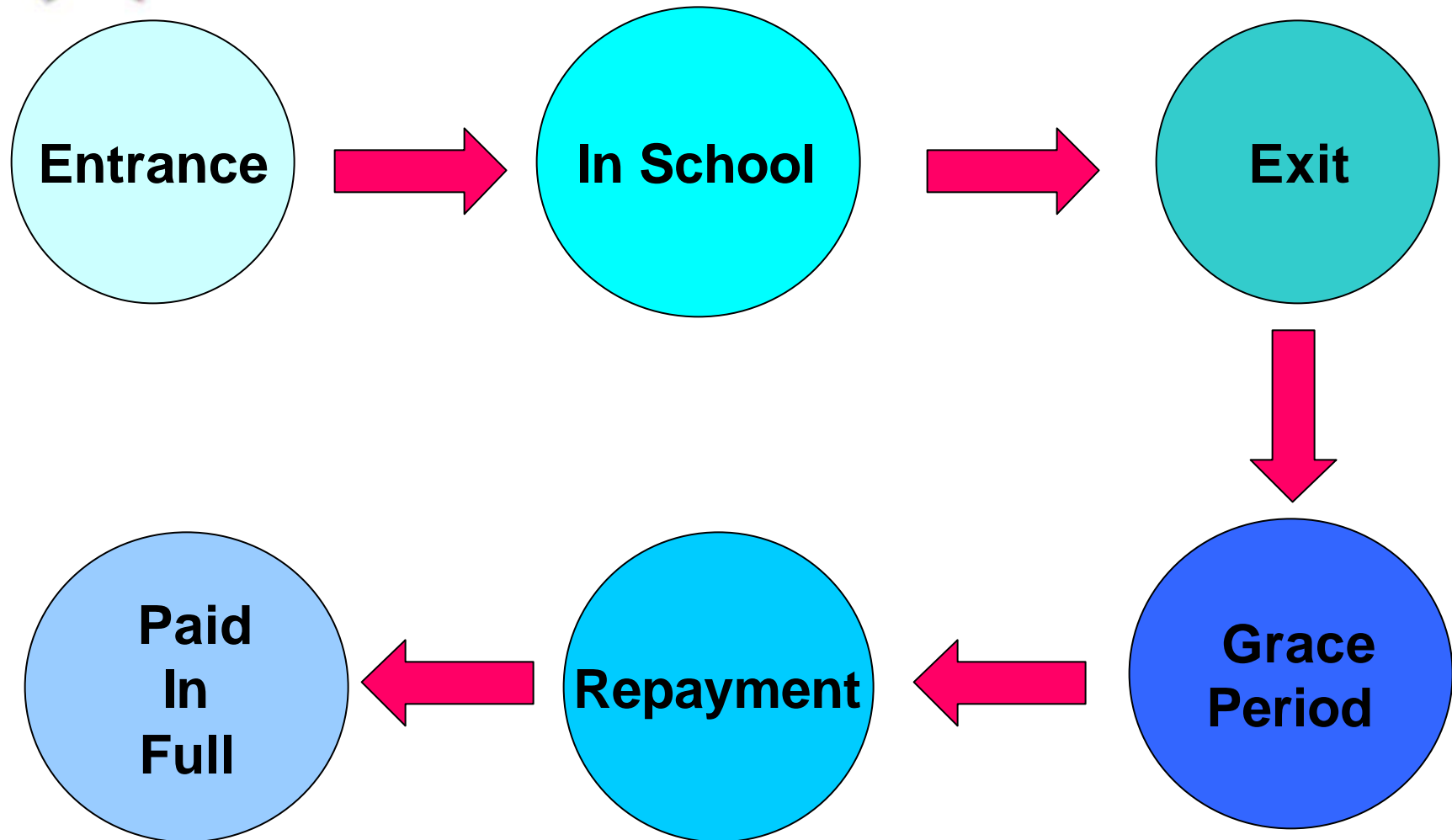
RETENTION IS THE KEY

- It's easier to follow a graduate student than to track down a withdrawal
- 70% of students who complete or continue their education repay their student loans





Communication Cycle





Communication Tactics

- **Say “Hello” at Orientation**
 - Help with Current Deferments
- **Meet with ALL Leave of Absences**
 - Grace Period Lost
- **Meet with ALL Withdrawals**
 - Mandatory Exit Interview
- **Meet with ALL Grads**
 - Congratulations Interview



CDR Rates - Who Cares?

■ **US Dept. of Education**

- Below 15 % (Perkins)
- Below 25% for 2 of the past 3 years
 - (FFELP / Direct)

■ **Lenders**

- Like it under 15%

■ **Management / FAD's**

- Love it Under 10%
- More Options





Tracking Borrowers

- **References and More References**
- **Get Creative**
- **Constant Communication in School**
- **Use the Students to get Involved**
- **Don't forget your Plus Borrowers**
 - Use as a “goodwill gesture”



Tracking Borrowers

- **Servicers & Guarantee Agencies**
- **Get Personal**
- **Direct Phone Contact**
- **Fax Reports**
- **Delinquent Reports**
- **Outside Default Prevention**



Tracking Borrowers

■ **Via Internet**

- www.edfund.org
- www.dl.ed.gov
- www.afsa.com
- www.salliemae.com

■ **Loan Clearinghouse**





Borrower's Choices

- **Forbearances**
- **Deferment**
 - Hardship
 - Unemployment
 - Education
 - Temporary Total Disability
 - Total Cancellation





Forbearance

- **Maximum of 2 years over life of loan**
- **Accrues Interest**
- **Anyone Can Qualify**



Deferment

- **Maximum of 3 Years Over Life of Loan**
 - Educational Deferment = No Limit
- **Subsidized Interest Does Not Accrue**
- **Must Stay within Deferment Category Qualifications**



In House Database

■ **Contact Information**

■ **DOB**

■ **SSN**

■ **Start Date**

■ **LDA**

■ **Lender / Servicer**

■ **Followup Date**

■ **School Status**

■ **Notes**

■ **Loan Status**

— In school

— 1st to Verify

— In Grace

— Current by Payment

— Delinquent

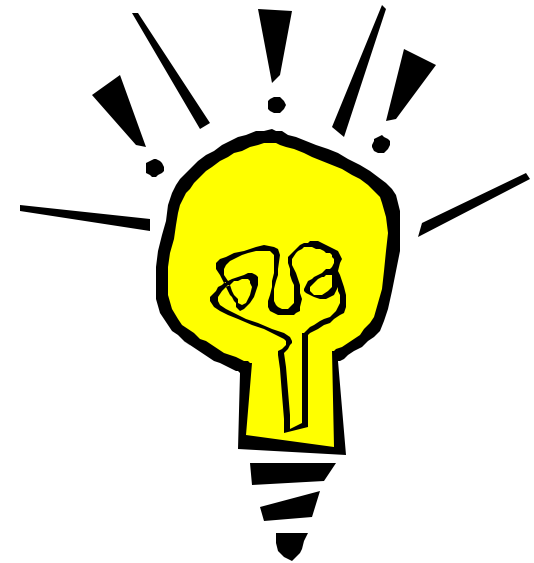
— Deferment/Forbearance

— Pre-Claim



Life of a Student Loan

- **Entrance Orientation**
- **Getting Personal - Face With a Name**
- **Videos**
- **Loan Information**
- **Threaten with Kindness**
- **Pay Interest While In School**
 - Optional
 - Good Habits





Life of a Student Loan

- **In School**
- **Get to know your Students**
- **ISAR - Prom Notes**
- **Check References**
- **Visit Classes - Placement Dept.**
- **Help with Existing Loans**
 - In-School Deferment
- **Threaten With Kindness**



Life of a Student Loan

- **Exit Interview**
- **Guarantors & Lenders can help**
- **Videos**
- **Review Loan Information**
- **Repayment Dates and Options**
- **Get New References**
 - Email, Web Page, Cell Phone



Life of a Student Loan

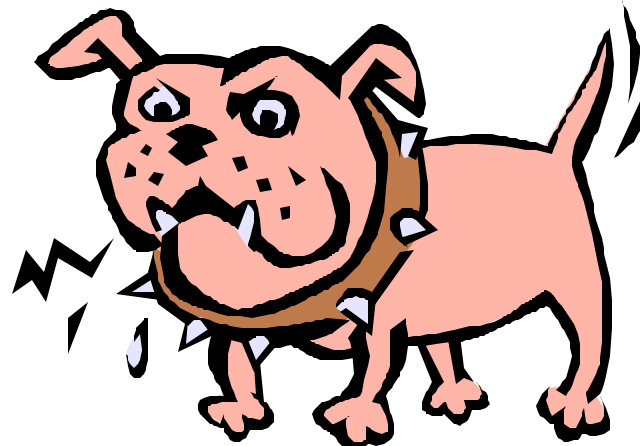
- **In Grace**
- **Now Your Work Begins - Critical Time**
- **Offensive Tactics not Defensive Struggle**
- **Three Contacts**
 - Congrats Note Card
 - 3 Months Note Card
 - 5 Months Note Card
- **Getting Personal**

\$.23 per card



Life of a Student Loan

- **Skip Tracing**
- **References**
- **Placement Dept.**
- **Instructors**
- **Other Students**
- **Licensing Agencies**
- **DMV Tracking (\$)**





Life of a Student Loan

- **Skip Tracing**
- **Lenders / Servicers / Guarantee Agencies**
- **Internet Searches**
 - Email, Web Pages
 - Phone Books
 - Public Information Searches
 - News Articles





Life of a Student Loan

- **Repayment**
- **Current by Payment**
- **Forbearance / Deferment**
- **Continuing Education**
 - Responsible for New Cohort Pool
 - Will resurface into your pool at new repayment date





Life of a Student Loan

- **Delinquent**



- **Phone Calls, Phone Calls, Phone Calls**

- Remember to be Supportive
- Late Payments are Embarrassing

- **REFERENCES are Gold**

- **Lenders / Guarantee Agencies / Servicers**

- **Double Up Mailings**



Life of a Student Loan

- **Delinquent - Direct Loan**
- 360 days delinquent
- 361 days = Default to DOE
- Larger Payment to Reduce Delinquent Days
- Interest accrues on a daily basis not monthly
of delinquent days
- Negotiate with Servicer
 - Forbearance



Life of a Student Loan

- **Delinquent - FFELP Loans**
- **270 Days to Origination Center**
 - “Claim Filed”
- **271st day through 359th day**
 - **Still Have a Chance**
- **Can Default to “Claim Paid” at any time**
- **Don’t Give Up!**



Life of a Student Loan

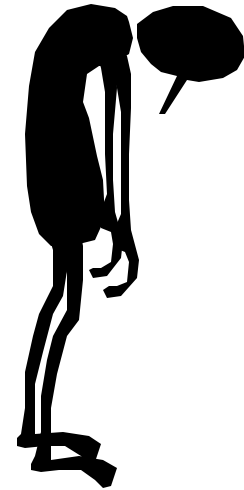
- **Pre-Claim - RED FLAG**
- **90 days = TRW Report**
- **Selling Borrower With Pain of Default**
 - Ruin Credit History
 - Wage Garnishment
 - Professional License Withheld
 - Tax Refund Withholding
 - Loss of Title IV Eligibility & Forbearance/Deferment





Life of A Student Loan

- **Default**
- **No Longer Required to Track**
- **Provide Information for Default Rehabilitation**





Life of a Student Loan

- **Default Rehabilitation Information**
- **Consolidation**
 - Extending Loan Term to 15 - 30 years
- **6 consecutive Monthly Payments**
 - Title IV Eligibility
 - Forbearance / Deferment
- **12 consecutive Monthly Payments**
 - Removal from TRW
 - Retain Taxes, Licenses, etc.





Default Rate Calculation

■ **FFELP and Direct Loans**

- Repayment @ 10/1 through 9/30

■ **Perkins**

- Repayment @ 9/1 through 8/31

■ **Calculation Method**

- Numerator = People in Pool
- Denominator = Defaulters
- $\text{Defaulters} / \text{Pool} \times 100 = \text{Rate}$





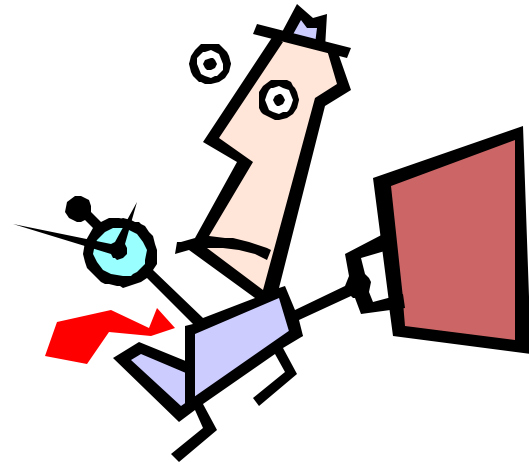
CDR Pools

- **Offensive Tactics**
- **Should Work 2 years at a time**
 - Current year and following year
- **March = a peek at next year's pool**
 - 6 month grace period following LDA which puts repayment into next pool (Sept)
- **Request from Guarantee Agencies**
 - Simulated CDR Pool Report



The Loan Manager

- Salespersons
- Customer Service Reps
- Telemarketing
 - (They need jobs too!)
- Selling Intangible Benefit of Repaying
- Cheerleader





Loan Management Best Practices

- **Separate Responsibility**
- **Supported by Entire School**
 - Knowledge of Importance of CDR
- **Education**
 - Management
 - Staff/Faculty
 - Students





Loan Management Best Practices

- **Treat it as Your Own Business**
- **Policy & Procedure Manual**
- **Try New Ideas**
- **Involve Your Student Borrowers**
- **Database**
- **Know Your Regs**
- **Networking - Seminars**



Loan Management Best Practices

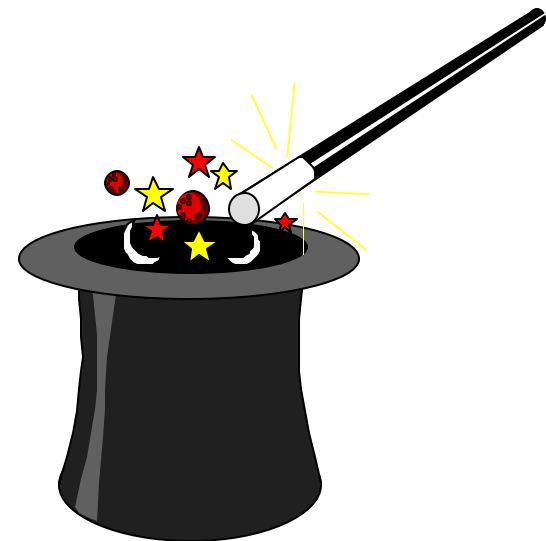
Get Back to Getting Personal





Conclusion

- **H** Have Concern For Borrower
- **E** Empathize
- **L** Locate if Needed
- **P** Paid in Full





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